

Vulcan Energy Resources Limited

EV Materials

29 November 2021

Rating
SPECULATIVE BUY

Price Target
A\$21.00

VUL-ASX

Price
A\$10.25

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Locking away more offtake

Fourth offtake agreement locks up VUL volumes

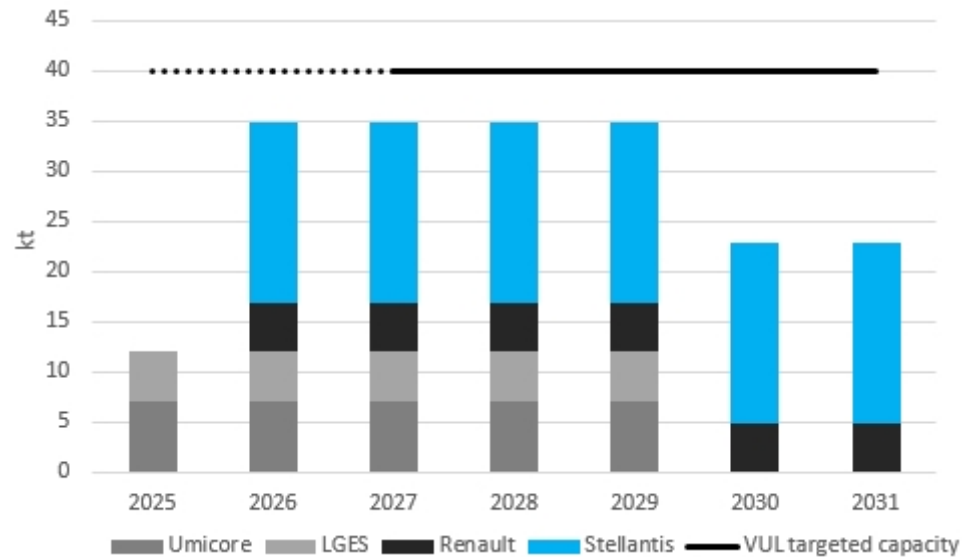
Vulcan has announced that it has signed a binding offtake agreement with Stellantis for 81-99kt of lithium hydroxide over five years from 2026. We believe this is the largest hydroxide offtake agreement by tonnage signed globally to date and represents a significant step in Vulcan securing its customer pipeline with tier 1 customers. The agreement is contingent on commencement of operations and full product qualification but once enacted, the take or pay contract will be priced in line with market prices. The offtake is Vulcan's fourth contract adding to Renault (26-32kt), Umicore (28-42kt) and LG Energy Systems (up to 50kt) and takes contracted volumes to c.87% of annual expected production (at midpoint) if full volumes are delivered.

Given these offtake agreements are generally preceded by a high level of due diligence, we believe it is a strong indication that offtake partners view the Zero Carbon Lithium Project as a valuable potential source of lithium which will enter the market. We believe this may also assist with debt funding as the success of Renault and Stellantis will now be linked to the success of the Zero Carbon Lithium Project.

Stellantis planning towards 70% EV penetration

Stellantis hosted an EV Day earlier this year ([Stellantis EV Day - affirmation of the EV shift from the world's third-largest automaker](#)) outlining its pathway to an electrified future. Stellantis was formed with the merger of Fiat-Chrysler and the Peugeot Group, with brands including Alfa-Romeo, Chrysler, Jeep, Peugeot, Dodge, Fiat, Maserati, Opel and Citroen. The company is aiming for an EV sales penetration rate of 70% in Europe and 40% in the US by 2030. To achieve this it plans to construct 260GWh of battery plant capacity across Europe and the US. Vulcan's material is destined for three plants in Europe located in Italy, German and France. Between these three facilities there is an expected capacity of 120GWh of manufacturing capacity, requiring c.120ktpa of lithium.

Vulcan has signed offtake for much of its offtake

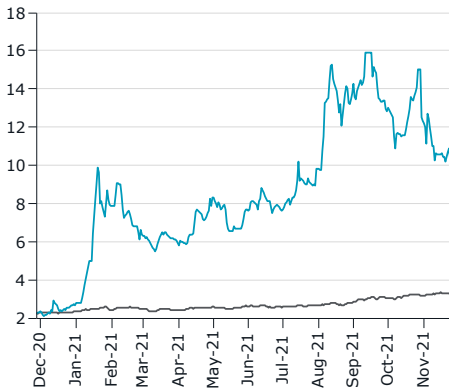


Source: Company data (at mid-point of annualised numbers)

* Dashed line represents CGe ramp-up period to nameplate capacity of 40ktpa.

Market Data

52-Week Range (A\$) :	2.00 - 16.65
Avg Daily Vol (000s) :	1,371.93
Shares Out. (M) :	123.8
Market Cap (A\$M) :	1,269.3
Dividend /Shr (A\$) :	0.00
Dividend Yield (%) :	0.0



— VUL-AU
— S&P/ASX Emerging Companies (rebased)

Source: FactSet

Priced as of close of business 26 November 2021

Vulcan is a European lithium development company progressing the Zero Carbon Lithium project in Germany. The development envisages a 40ktpa lithium hydroxide operation using DLE from geothermal wells which will also generate carbon free power. The process is expected to be carbon negative based life cycle analysis and if achieved, Vulcan would fundamentally change the carbon emission structure of the lithium industry.

Link to initiation: [Not unconventional... Untapped](#)

Canaccord Genuity (Australia) Limited has received a fee as Joint Lead Manager to the Vulcan Energy Resources Limited Capital Raising announced 2 February 2021.

Canaccord Genuity (Australia) Limited has received a fee as Joint Lead Manager to the Vulcan Energy Resources Limited Capital Raising announced 14 September 2021.

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Investment Recommendation

Date and time of first dissemination: November 29, 2021, 00:05 ET

Date and time of production: November 29, 2021, 00:05 ET

Target Price / Valuation Methodology:

Vulcan Energy Resources Limited - VUL

Our price target is set in line with our NAV with a 60% risk weighting. We use US\$15,000/t LiOH prices, 1.58 EUR/AUD exchange rates and discount rates of 8% for the lithium business and 5% for the energy business.

Risks to achieving Target Price / Valuation:

Vulcan Energy Resources Limited - VUL

Risks include pricing, delivery, resource size and grades, capex and opex estimates and production schedules.

Distribution of Ratings:

Global Stock Ratings (as of 11/29/21)

Rating	Coverage Universe		IB Clients
	#	%	%
Buy	646	68.94%	44.74%
Hold	136	14.51%	25.74%
Sell	9	0.96%	33.33%
Speculative Buy	141	15.05%	60.99%
	937*	100.0%	

*Total includes stocks that are Under Review

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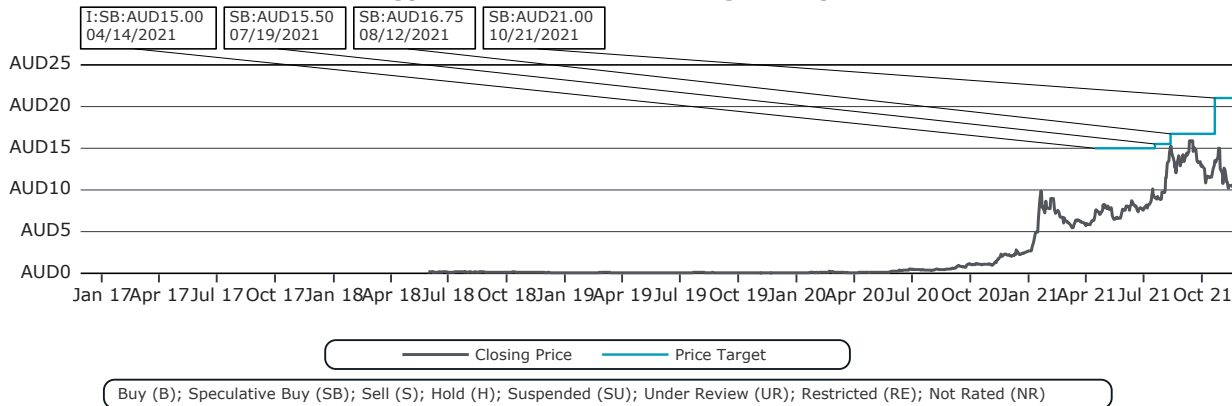
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Vulcan Energy Resources Limited Rating History as of 11/26/2021



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